GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:240
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Interest Rates after Demonetisation
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Will the Minister of FINANCE be pleased to state:

(a) whether the public sector banks have reduced interest rates on Savings Accounts and on home loans after demonetisation; and

(b) if so, the details thereof, bank-wise and the steps taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) & (b): Public Sector Banks have reported reduction in home loans rates and no change in saving accounts. Reserve Bank of India (RBI) has informed that in terms of extant guidelines, which came into effect from April 1, 2016, banks have to compute actual interest rates on advances by adding the components of spread to the Marginal Cost of Funds based Lending Rate (MCLR) which will be the internal benchmark for such purpose. Accordingly, the rate of interest charged to the borrower will vary from bank to bank and will depend on various factors like cost of funds, operating costs, tenor premium, business strategy premium, credit risk premium etc.

Further, RBI has deregulated the interest rate on advances sanctioned by Scheduled Commercial Banks (excluding Regional Rural Banks) and these interest rates are determined by banks with the approval of their respective Board of Directors subject to regulatory guidelines on interest rate on advances issued by RBI from time to time.

Consequent upon deregulation of interest rates on domestic savings deposits accounts held by residents in India, with effect from October 25, 2011 banks are free to determine their savings bank deposit interest rate, with the prior approval of the Board / Asset Liability Management Committee (if powers are delegated by the Board), subject to the following two conditions:
(i) Each bank will have to offer a uniform interest rate on savings banks deposits up to Rupees one lakh.
(ii) For any end-of-day savings bank balance exceeding Rupees one lakh, a bank provide differential rates of interest, if it chooses, subject to the condition that banks do not discriminate in the matter of interest paid on such deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.

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